



# Conflict of Interests Policy

**Bankinter Luxembourg S.A.**

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## **1. Regulatory framework and scope of application**

### **1.1 Introduction**

As a global financial services provider, Bankinter Luxembourg, S.A. (hereinafter referred as "Bank" or "Bankinter") offers a wide variety of products and services to its Clients and may face situations in which real or potential conflicts of interests may arise between Clients, between the Bank employees and Clients as well as between the Bank and its Clients.

The Conflict of Interests Policy (hereinafter referred as "Policy") is intended to:

- (i) Identify any circumstances which may result in a conflict of interest that could imply an important risk and diminish the interests of one or more Clients;
- (ii) Specify the procedures and measures in order to manage the conflicts of interest between their Clients and between the Bank and its Clients;
- (iii) Establish the rules to be followed for record those investment services where a conflict of interest appeared or can appear if the service is still ongoing;
- (iv) Explain the steps to maintain and operate effective organizational and administrative arrangements to identify and properly manage relevant conflicts.

The Bank will provide to its Clients, prior to render any investment service, the resume of the present Policy and will inform them about their right to request more information about this Policy.

### **1.2 Purpose and Scope**

In accordance with the Markets in Financial Instruments Directives (hereinafter referred as "MiFID") and implementing regulations, join with the Directive of the European Parliament and of the Council on insurance distribution (hereinafter referred as "IDD") and supplementing delegated regulation with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products, as well as Luxembourgish legal and regulatory framework in force, the purpose of the present Policy is to establish the framework for managing and monitoring all the possible conflicts of interests within the Bank, with a particular attention to any conflicts of interests between the Bank, its Clients, related parties and any third-party subcontractors.

Taking into consideration the fact that the Bank is providing a wide range of financial services, it is expected that in the normal course of its business and operations, several potential conflicts of interests may arise, either on a one-off basis or, potentially, on a more recurring basis. In situations where a potential conflict of interest is likely to cause damage to the Client's interests, the Bank will ensure that systems, controls and procedures are in place to adequately identify, manage and disclose, where appropriate, such conflicts of interests in accordance with the applicable regulatory framework and in the Client's best interests.

The Bank is committed to maintaining the highest professional standards and principles in providing services to its Clients.

To this end, the Bank adopts the present Policy, which objective is to define the terms according to it will:

- a. Identify situations where (potential or real) conflicts of interests may arise, entailing a material risk of damage to the Client's interests;
- b. Inform Clients about the conflicts of interests;
- c. Establish appropriate procedures, mechanisms and systems that allow, to the greatest extent possible, to prevent the occurrence of real conflicts of interests and to have the appropriate measures and procedures for managing conflicts of interest that cannot be avoided.
- d. Maintain records of such conflicts of interests (including potential conflicts of interests).

The Authorized Management of the Bank is responsible for ensuring that the Bank's systems, controls and procedures are sufficient and adequate to identify and manage conflicts of interests.

The internal control functions are responsible for the identification and management of conflicts of interests providing overall assistance in the identification and monitoring of actual and potential conflicts of interests.

### **1.3 Subjective Scope**

This Policy is applicable to all staff member of the Bank as well as to the Authorized Management and members of the Board of Directors.

## 2. Conflicts of interest identification and typology

### 2.1 Definition of Conflicts of Interests

A conflict of interests can be defined as the situation where competing obligations or motivations entail or are likely to entail a material risk of damage to the interests of one or more Clients, as well as a risk for the Bankinter reputation.

Moreover, there is a conflict of interest when there is conjunction in the same person or area of decision of at least two conflicting interests that could compromise the impartial provision of an investment or auxiliary activity or service, or when there are policies or practices that motivate people to favor their own interests or those of the Bank with possible detriment of the interests of their Clients.

It will not be understood as a potential conflict of interest when Bankinter can obtain a benefit, if there is also no possible harm to the Client. Likewise, it will not be understood as a potential conflict of interest when a Client makes a profit or avoids a loss, if there is no possibility of loss for another Client.

It will be understood that there is no conflict of interest when said situations:

- a) Do not imply a deterioration or detriment in the quality of the customer service
- b) They do not entail a breach of the entity's obligation to act with honesty, impartiality and professionalism, in the best interest of its clients.

A conflict of interest situation can appear in any area of the Bank's business in the course of providing its Clients with a service which may benefit the Bank (or another Client for whom the Bank is acting) whilst potentially damaging to another Client. A conflict of interest's situation may also appear between the Bank and any third-party sub-contractor when the services are agreed in terms that may benefit the Bank or a "relevant person". Finally, transactions performed with related parties may also be conflicted with a potential high impact of the risk profile of the Bank.

For the purposes of this Policy, "relevant person" means:

- a. A director, manager or appointed representative (or where applicable, tied agent) of the Bank;

- b. An employee of the Bank or of an appointed representative (or where applicable, tied agent) of the Bank as well as any other natural person whose services are placed at the disposal and under the control of the Bank or a tied agent of the Bank and who is involved in the provision by the Bank of regulated activities;
- c. A natural person who is involved in the provision of services to the Bank or its appointed representative (or where applicable, tied agent) under an outsourcing arrangement for the purpose of providing investment services and other ancillary services to the Bank.

For the purposes of identifying the type of conflict of interests to which this Policy applies, the Bank shall take into account whether there is a material risk of damage to the Client and/or to the Bank's reputation, considering any relevant person directly or indirectly linked by control to the Bank.

In particular, when determining the types of conflicts of interest that may arise in the exercise of their activities, and whose existence undermines the interests of a client, including their sustainability preferences, the Bank takes into account, at a minimum, if any of the following situations occur:

- a. Is likely to make a financial gain, or avoid a financial loss potentially affecting the interests of the Client or service provider;
- b. Has an interest in the outcome of services provided or transactions carried out on behalf of the Clients, which is distinct from the Client's own interests;
- c. Has an interests in the agreement of the contract of services between the sub-contractor and the Bank;
- d. Has a financial or other incentive to favor the interests of another Client or group of Clients over the interests of the Client;
- e. Carries out the same business as the Client;
- f. Receives or will receive from a person other than a Client an inducement in the form of money, goods or services in relation to a service provided to the Client or in relation to the contract established by the sub-contractor and the Bank, other than the standard or commission or fee for that service.
- g. Participates significantly in the management or development of products or services, in particular in the event that said person has influence in setting of the prices of these products and services or their distribution costs.

- h. When providing the investment service take into account the integration of the client's sustainability preferences and the sustainability risks in the services in which it is applicable.

## **2.2 Potential Conflicts of Interests**

Conflicts of interests could arise from (non-exhaustive list):

- a. The reception and transmission of Clients' orders regarding one or more financial instruments: these conflicts of interest could arise, for example, when the Bank receives one or more orders simultaneously from different Clients for the purchase or sell of a specific financial instrument;
- b. In investment advisory services: conflicts of interest may appear if entities have specific inducements when advising a Client to purchase a financial instrument. As a consequence, the entity may recommend such instrument above any other financial instrument (leaving aside Clients' interest);
- c. In asset management services: in this case, conflicts of interest may arise when the entities purchase or sell specific financial instrument in illiquid or non-transparent markets which may involve a higher benefit for the entity or for any other Client. Moreover, a conflict of interest will also arise when the Bank sells or places its own financial instruments or products or renders services to its Clients;
- d. On receiving and distribution of commissions (especially retrocession of distribution agreements) related to the provision of investment services and ancillary services offered to Clients;
- e. Out of performance related payments to staff members and intermediaries;
- f. By granting benefits to staff members and intermediaries;
- g. Investment research received from group members and independent sources;
- h. From relationships of the group where the Bank pertains to issue financial instruments, from corporate finance relationship, co-operation in new issues or similar businesses;
- i. Receiving information that is not public available;
- j. From personal relationships of staff members, the Authorized Management, the Board of Directors and any related persons;
- k. Other potential conflicts of interest:
  - Directors, employees and member of the Board of Directors which may have a direct or indirect control over the Bank, may have a conflict of interest regarding a specific service or operation in the cases where:

- They could obtain a benefit or prevent a loss, diminishing a Client best interest;
- They have an interest on the service or operation's result, made on behalf of the Client, which will be different from the Client's interest;
- Economic interests (e.g. shares, other ownership rights and memberships, financial holdings and other economic interests in commercial customers, intellectual property rights, loans granted by the institution to a company owned by staff, membership in a body or ownership of a body or entity with conflicting interests);
- Personal or professional relationships with the owners of qualifying holdings in the institution;
- Personal or professional relationships with staff of the institution or entities included within the scope of prudential consolidation (e.g. family relationships);
- Other employment and previous employment within the recent past (e.g. five years);
- Personal or professional relationships with relevant external stakeholders (e.g. being associated with material suppliers, consultancies or other service providers);
- Political influence or political relationships.
- Conflicts of interest stemming from the integration of the client's sustainability preferences.

In that respect, the Bank has carried out an exercise to identify conflicts of interests that can appear in its business and has put in place measures to properly monitor, manage and control the potential impact of those conflicts on its Clients.

## **2.3 Types of Conflicts of Interests**

The conflicts identified by the Bank are as follows:

- a. Those between the Bank and its Clients;
- b. Those between the Clients or groups of Clients of the Bank;
- c. Those between the personal interests of staff members of the Bank and the interests of the Bank or its Clients where those interests may be different;
- d. Those between a third party and the interests of the Bank or its related parties where those interests may be different.

### **2.3.1 Conflicts of Interests between the Bank and the Clients**

It may include conflicts of interests arising between any relevant person and the Clients notably *(i)* conflicts relating to treat Clients fairly and *(ii)* conflicts arising for competing with Clients.



Please find below situations where we consider that this type of situation can occur:

- a. Customer services in which Bankinter has a certain influence over the decisions of the Client. This is the case of investment advisory services or the reporting activity;
- b. Situations in which the Bank has access to non-public information that, if improperly used, could harm a Client;
- c. Cases where Bankinter may have an opposite interest to the Client's interest in relation to the provision of a service or the execution of an operation on its behalf.  
For example:
  - Discretionary portfolio management;
  - Issues related to the execution of Client orders such as forwarding the orders given by the Client to a third party, either on behalf of the Bank or on behalf of an employee who knows such orders or multiplying operations without apparent benefit to the Client.

### **2.3.2 Conflicts of Interests between the Clients or groups of Clients and the Bank**

The Bank may for example provide execution services to a Client on a transaction and, at the same time, provide financing consultancy/support to another Client on the same transaction where two Clients have separate and/ or competing interests.

### **2.3.3 Conflicts of Interests between the staff and the Bank and/or the Clients**

An employee may for instance have a personal investment in a specific issuer and also provide financial consultancy to Clients on the same issuer.

### **2.3.4 Conflicts of interests between the Bank, its related parties and third parties**

Transactions with related parties shall be carried out in the best interests of the Bank. For instance, the Bank's interests are not met where transactions with related parties:

- a. Are carried out on less advantageous terms (for the Bank) than those which would apply to the same transaction carried out with a third party;
- b. Impair the solvency, liquidity situation or risk management capacities of the Bank from a regulatory or internal point of view;
- c. Exceed the risk management and control capacities of the Bank;
- d. Are the opposite of a sound and prudent management principles in the interests of the Bank.

The transactions with related parties, either significant or potentially having, individually or on an aggregate basis, a negative impact on the risk profile of the Bank, are presented to the Board of Directors for approval.

### **3. Measures to manage and prevent Conflicts of Interests**

Besides all the efforts made by the Bank to minimize the possibility of conflicts, it is inevitable that they may arise in the course of the business activity. Such conflicts must always be managed so that any possible harm to the Client is minimized.

The different measures to apply should aim to ensure that persons involved in the provision of investment services act with an adequate level of independence in what concerns to their own interests or the interests of the entity for which they discharged their functions.

The controls that are applied to manage the conflicts must be proportional to the risk of harming the Client's interests so the Bank can apply reinforced measures to managing them.

If it is not possible to properly manage the conflict of interests and hence not possible to protect the interest of a Client or group of Clients, the Bank should abstain itself from providing services to its Client.

The measures adopted by the Bank to prevent and manage conflicts of interests are described below:

#### **3. 1 Policies and Procedures**

The Bank has adopted internal policies and procedures in order to recognize and to manage conflicts of interests.

#### **3. 2 Preventing inadequate influences**

##### Appropriate incentive systems

Bankinter must ensure that people who provide investment services are not influenced by economic or other inappropriate incentives to prevent conflict in the performance of their duties.

Influence of the Bank on the investment decisions of its clients: advice.

Bankinter has implemented tools and measures that allow to offer these services at the highest degree of objectivity possible, always seeking the products that best suit the investment objectives of its clients and their risk profile.

Thus, the analysis, advice and offer procedures established by the Bank guarantee that the offers to clients are drawn up and presented respecting the principles of neutrality and transparency when including the Bank's own products or those of its group of companies, as well as the prices and commissions that each of them supposes for the client and generates for the Bank.

More specifically, and with regard to the investment advisory service, the Bank uses computer applications that, based on the client's risk profile and their particular circumstances, if any, guarantee the adequacy of the investment proposals offered to the client.

### **3. 3 Information Barriers**

In accordance with the current regulations, Bankinter must establish effective measures to prevent or control the exchange of information between the different areas of activity and relevant persons who participate in activities that entail a risk of conflict of interest, when the exchange of that information could harm the interests of one or more clients and with the purpose of guaranteeing that each one of them makes its decisions autonomously and, likewise, that conflicts of interest are avoided.

The Bank has put in place procedures to control or prevent that the flow of information, notably privileged or confidential information between the Bank's business units and other entities where the interests of a business unit or entity may conflict with the interests of Clients of another business unit or entity with the Bank's own interests.

The controls must be applied equally and with the same intensity both to the information flows between the people that provide the different investment services and to the flows of information between those persons and one or several Clients or between the people that provide investment services and third parties.

It should also be taken into consideration that the management of information handled by each business area must be strictly necessary and proportionate in order to ensure that the information is not kept or transmitted inappropriately.

The existence of separated areas - units, services or departments of the Bank in which activities of management of own portfolio, portfolio management or financial analysis are carried out, as well as those that, with certain frequency received confidential information – shall, as a matter of principle, maintain a proper separation to prevent the improper use or transmission of privileged information that they may have in the course of the business.

These separate areas are detailed in the Internal Code of Conduct.

### **3. 4 Separate Supervision and Segregation of Functions**

Pursuant to current regulations, Bankinter must have separate supervision of persons whose main duties involve carrying out activities or providing services on behalf of or in favor of customers whose interests may conflict or who represent different interests that may conflict, including those of the entity.

Where appropriate, the Bank will arrange separate supervision of those areas carrying out functions for Clients whose interests may conflict or where the interests of Clients and the Bank may conflict, as well as take the necessary measures to prevent the simultaneous or sequential involvement of a relevant person in separate services or activities where such involvement may impair the proper management of conflicts of interests.

As an example, if several departments are involved in a project for an important Client, the business unit that is participating in a part of the process should not depend on other people who are also involved in the project as both activities could cause a conflict of interests.

In addition, the remuneration of the employees of an area providing investment services cannot be set by some person who belongs to another area with which there is or may be a conflict of interest. In this respect, remuneration criteria that guarantee the objectivity and independence of the services provided must be established, without the interest of one business area prevailing over that of another.

### **3. 5 Sales objectives and other compensation/incentive schemes**

The Bank must ensure that its remuneration policy does not give rise to conflicts related to economic or other compensations received by persons providing services.

Bankinter has implemented measures that allow to provide its services with the highest degree of objectivity possible, always seeking the products that best suit the investment objectives of its Clients and their risk profile.

For instance, the advisory procedures and the offer established in the Bank guarantee that proposals to Clients are prepared and presented respecting the principles of neutrality and transparency when including products belonging to the Bank or to its group of companies, as well as prices and commissions that each one of them entail for the Client and generates for the Bank.

More specifically, in what concerns to the investment advisory service, the Bank uses computer applications that, based on the Client's risk profile and their particular circumstances, guarantee the adequacy of the investment proposals that are delivered to the Client.

This being said, compensation schemes, if applicable, must be defined in such way that the interests of the employees are aligned with those of the Clients. In this way the performance of the employees will not be direct linked to the selling of a specific investment product or service or define by an area/business segment that may have a potential conflict of interest with the area/business segment that will be eligible to receive a compensation.

### **3.6 Simultaneous participation in different activities of the Bank**

Bankinter must ensure that measures are established to avoid the possibility that the same person is simultaneously involved in two different services or activities, so that such involvement prevents an adequate management of conflicts of interest.

Likewise, independent and objective management of the placement of securities issued or offered with Bankinter's participation must be guaranteed. Specifically, it must be ensured that Bankinter's interests as insurer of a public offer for the sale or subscription of securities do not interfere in the process of their placement. In this sense, the agreements signed with the issuer must be complied with and it must be ensured that there are measures that prevent inappropriate use of the information related to the orders made by the clients and those responsible for the placement of the securities.

### **3.7 Advisory Services align with Client's best interests**

The Bank has established the necessary arrangements in order to ensure that Clients take their investment decisions based on their own judgement, meaning that the advisory given by the Bank's employees is always align with the Client's best interests.

In addition, the Bank guarantees an independent and objective management in the placement of securities where the Bank take part.

### **3.8 Measures related to "treat customers fairly"**

The Bank has taken measures to ensure that its clients are treated with fairness as follows:

- a. The operations carried out by Clients will not be disclosure to other Clients (confidentiality);
- b. The Client's orders will be placed by the Bank on a fair and equitable way, and always following the Best Execution Policy approved by the Bank;
- c. Gifts, economic and non-economic incentives will not be accepted by the Bank's employees. The Bank will follow the Inducements' Policy already approved by the Bank.

### **3.9 Disclosure of Conflicts of Interests**

When it is considered that the organizational or administrative measures taken to deal with conflict of interests are not sufficient to ensure, with reasonable certainty, that the risks of detriment to the interests of the Clients will be prevented or managed, then the Bank will clearly disclose to Clients, on a durable medium and with sufficient detail, the general nature of the conflicts of interests before acting on behalf of the Clients, so that they can make an informed decision regarding the service or the product from which the conflicts arises.

The disclosure of the conflict to Clients does not substitute the maintenance of an adequate and effective organizational and administrative structure for preventing and managing the conflicts of interests.

As stated at MiFID II and implementing regulations, the Bank will ensure that such disclosure to Clients is a measure of last resort, which will be used only where the effective organizational and administrative arrangements established in order to prevent or manage its conflicts of interests, are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the Client will be prevented.

### **4. Monitoring, management and record keeping of Conflicts of Interests**

The Bank has put in place a Register of potential or real conflict of interests as well as a Notification Form for reporting conflicts of interests.

With the purpose of identifying real or potential situations of conflict of interests the Bank has implemented a register in which will record the types of conflicts of interests that entail (or could entail) a damage to the interests of one or more Clients.

This register is regularly updated by the Compliance Function, which is responsible for its maintenance.

In what concerns to the Notification Form, each employee that detects a potential/actual conflict of interests must immediately report it to the Authorized Management and to the Chief Compliance Officer for their analysis and perusal. If, after such analysis, the Authorized Management and the Chief Compliance Officer decide that, under the present Policy, such situation of (potential) conflict of interests is acceptable they may, formally authorize it and, if applicable, inform the Client or other relevant party about it.

Furthermore, the Compliance Function of the Bank will prepare a report, on an annual basis, addressed to the Authorized Management which will contain an analysis of the different

potential/actual conflicts of interest that have occurred or, if the service is still being rendered, an explanation of potential conflicts of interest that could occur.

## **5. Revision**

The Bank will review annually, or whenever deemed necessary, the effectiveness of the Policy to identify and, where appropriate, correct any deficiencies.

Moreover, Bankinter will review and monitor the effectiveness of the measures adopted and, if necessary to improve or implement new ones.

Any material changes will be promptly disclosed to the Clients.

A resume of the present Policy will be available at Bankinter's website for consultation.